

**Internal Audit and
Risk Management
Services**

Audit Report

**Income Security Programs
Program Integrity Review**



Human Resources Development Canada
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Income Security Programs Program Integrity Review

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1.0 EXECUTIVE SUMMARY

BACKGROUND

The Internal Audit and Risk Management Services (IARMS) conducted a review of the Program Integrity function of Income Security Programs (ISP) in keeping with the Audit and Evaluation Plan. This review constituted a broad examination of management of program integrity within ISP, rather than a detailed file review or financial audit. The review work was carried out between January-April 2000.

Many control mechanisms in the processing of ISP benefits disappeared over the years in response to downsizing and other pressures. Starting in the mid-1980s, a number of "Working Smart" initiatives involved simplification or even elimination of control-oriented procedures. When the ISP *Redesign* project was initiated in the early 1990s, there was a view that many internal and external control issues could be addressed by means of control improvements provided in the course of systems sophistication. The conclusion of *Redesign*, with improvements more limited than planned, left a need to reestablish a rigorous program integrity function within ISP.

The Program Integrity function within ISP has undergone significant growth over the past few years. The Program Integrity and Quality Services Division (PIQS) of ISP, supported by regional staff and functional units, has central responsibility for:

- fostering awareness of Program Integrity issues and principles throughout ISP;
- measuring risk and detecting errors;
- supporting business improvement through development of quality assessment tools and furnishing advice; and,
- developing and maintaining ISP's investigation function.

Recently, a number of initiatives to strengthen program integrity have been undertaken on the basis of additional funding received. These include Controls Initiatives, investigations and a Quality Assurance program for the Canada Pension Plan (CPP) Disability.

It was timely, therefore, to assess the emerging management framework for program integrity and identify potential areas for improvement. The review focussed on identifying current risks and issues and identifying opportunities for improving prevention and detection activities. Elements assessed included: functional mission and strategic direction; responsibilities and accountabilities; management information; assessing and managing risk and investigations.

The Program Integrity function of ISP has developed and undertaken several initiatives that have the potential to strengthen integrity of program delivery. Further opportunity exists, however, to:

- enhance strategic integration and clarify roles, responsibilities and accountabilities;*
- modify and coordinate national and regional monitoring processes to improve management information in order to measure and strengthen accountability;*
- ensure follow-up to identified business improvement opportunities; and,*
- continue development and tracking of an effective investigations function.*

MAJOR FINDINGS:

Mission, Mandate and Strategic Direction for the Program Integrity Function

- Management and staff recognized the importance of program integrity. A concern was expressed, however, that there is no explicit mission or mandate statement for ensuring the integrity of ISP funds. Developing a clear mission statement would assist in gaining maximum profile and credibility for program integrity activities. As well, it would provide functional direction and facilitate the engagement of management across all ISP program areas.
- At the time of this review, a comprehensive, integrated and strategic framework had been lacking. Developing and communicating a broad strategic management plan that demonstrates an integration of regional and national program integrity activities in support of broad priorities and objectives would clearly establish the roles, responsibilities, resourcing strategies, timeframes for deliverables, desired outcome of program integrity activities and the means for evaluating effectiveness. These are all inter-related elements of a sound management framework.

Responsibilities, Accountabilities and Performance Tracking

- As the program integrity functional area is expanded and evolves, involving both the national and regional level, it would be beneficial to develop a clearer understanding of both the PIQS divisional and regional program integrity roles and responsibilities.
- An accountability framework has not been developed which clearly defines accountability on the part of management outside of the program integrity functional area.

Random Reviews and Quality Assessment

- Annual random reviews of accuracy and compliance with legislation assess overall performance of the benefit payment process for both Old Age Security (OAS) and CPP. These reviews are designed to provide broad coverage of all accounts in pay and, therefore, the sampling method results in very few “new business” accounts being selected in the sample. As a result, these studies are limited in their value as a tool to assess accuracy and risks in new application processing. Timeliness of completion of these reports is also an issue. Currently, this is the primary source of management information on overall accuracy rates of ISP processing.
- Currently, there are no national standardized tools or procedures for quality control as a means of preventing incorrect payments and providing on-going information to management and staff on performance. In regions participating in this review, a form of quality control/monitoring has, however, recently been introduced or is planned – regions have been developing tools and processes. The auditors conclude that development of standardized modules of monitoring tools could allow for both national and regional management reporting, while still allowing regions to conduct work in specific processes tailored to their needs.

Understanding and Managing Risk

- Understanding the magnitude of risks within ISP has been enhanced over the past years with the introduction of control initiatives. However, in the opinion of the auditors, ISP needs to ensure that there is follow-up to the findings of these initiatives and other reviews. At the time of this review, a number of recommendations that had been developed as a result of program integrity initiatives, remained to be addressed with management responses. ISP established the Business Improvement Steering Committee (BISC) and supporting Business Improvement Review Committee (BIRC), to set priorities and develop action plans to address business improvement recommendations. This should provide for greater systematic management action.

New Investigative Resources

- This function has recently been introduced as a result of passage of Bill C-2¹ and was viewed as a function under development. The challenge of introducing an investigations function has been significant – likely the result of simultaneous implementation and development of resources for the function, in the opinion of the

¹ As of January 1, 1998, both the Canada Pension Plan and the Old Age Security Act were amended by Bill C-2 to provide more effective mechanisms for the investigation of suspected benefit abuse.

auditors. Staff involved with this function highlighted the challenge of implementing a complex function in a relatively short timeframe. From a national perspective, asymmetrical implementation in the regions continues to pose a challenge in providing direction and support. Staff in the investigations function viewed national support as less than optimal in the first year, with respect to providing timely tools and training.

- Though some regions have endeavored to track investigation activities, and start to monitor the impact of the function, at the time of this review, there was no systems capability, on a national basis, for on-going monitoring of the results of this new function. An investigation information system has, however, been developed by NHQ, which will be implemented by regions in the coming year. Analysis of results from this system, in the judgement of the audit team, will then allow for an assessment of "best practices" and an improved understanding of risk areas for fraud and abuse that can further enhance the effectiveness of this function.

RECOMMENDATIONS AND MANAGEMENT RESPONSES:

1. Recommendation

ISP should develop national and regional mission/mandate statements for ensuring program integrity. The statements should recognize program integrity as an integral part of broad program priorities and as an area for which all program areas are responsible.

Management Response

ISP agrees with this recommendation. Last fall, ISP developed and approved mission/mandate statements to guide the program integrity function for both NHQ and the regions. ISP fully agrees that a guiding program integrity mission statement, and clear national and regional mandates, help to clarify accountability for protecting payment integrity. These statements will be used with various other mechanisms to support broad program priorities for which all ISP program areas are responsible.

2. Recommendation

ISP should develop and communicate a strategic management plan that integrates all program integrity activities. The plan should address broad priorities and objectives, roles and responsibilities, resourcing strategies, timeframes for deliverables and the means for evaluating effectiveness.

Management Response

ISP agrees with this recommendation. The mission and mandate document pertaining to ISP's program integrity functions was the first step in a sequence of activities to better delineate a strategic plan for program integrity priorities and accountabilities. ISP will develop a strategic management plan, over the next several months, which outlines priority program integrity activities, key players, roles and responsibilities, tools and resources, and appropriate timelines. It will help optimize the integration of regional and national program integrity activities and will provide for improved strategic orientation, greater program-wide engagement and enhanced functional guidance.

3. Recommendation

ISP should develop clear accountabilities for management with respect to program integrity.

Management Response

ISP agrees with this recommendation and will work to outline management accountabilities within the context of clearer mandates, a strategic management plan for program integrity, and a Branch quality framework. The size and complexity of HRDC makes it a challenge to delineate distinct and full accountability. HRDC has a network of operational delivery systems and areas to provide functional guidance to administer the CPP and OAS benefits. Ensuring payment integrity is a shared responsibility. HRDC is currently reviewing accountability issues with respect to functional and operational areas and ISP will work within the broader departmental context on this issue.

4. Recommendation

ISP should modify the sampling method for some nationally led program-wide integrity reviews, in order to provide improved information on accuracy of processing of accounts recently put into pay.

Management Response

ISP is considering how best to produce quality indices relating to new business processing. An options paper examining several means of carrying out new business reviews has been prepared. The options range from a cost-neutral approach, to an approach, which would rely upon additional funding to be

obtained. Regardless of the option selected, ISP acknowledges the benefits of having better indications of the payment accuracy and risk areas for new business.

5. Recommendation

ISP should develop national processes and tools to support regions introducing quality monitoring.

Management Response

ISP agrees with this recommendation. In June 2000, ISP's Operational Management Committee agreed to the recommendation that ISP's Program Integrity & Quality Services Division develop more extensive processes and tools to support the regions in their quality monitoring activities. The development of these tools is well underway. To meet short-term development deadlines, additional funding is required. A longer-range deadline for implementation could be accomplished with current resources.

As well, the Operations and Business Support Division, in association with ISP regional processing managers, is continuing to develop a program of quality review activities, which has already begun in some regional processing centres.

6. Recommendation

ISP should develop a national performance tracking system to provide on-going information on risks and accuracy in new application processing for all benefits.

Management Response

ISP is considering options for revising the random review process to strengthen assessments of risks and estimates of payment accuracy for the processing of new OAS or CPP applications. The full implementation of a formal CPP Disability Quality Assurance program, now completed for initial applications and reconsiderations, as well as the development of new national and regional quality assessment tools, will provide a better sense of the potential for tracking information. Reporting will evolve following the implementation of these new mechanisms so that there is an increased and more focused awareness of program performance, integrity, emerging risk areas and trends.

7. Recommendation

ISP should demonstrate progress in addressing recommendations arising from program integrity studies, including developing, tracking and communicating management responses and action plans.

Management Response

ISP agrees with this recommendation and implementation is well underway. Potential administrative improvements identified by program integrity random reviews and directed studies, as well as those identified by other means, are formulated into recommendations which in turn are being referred to a senior level business committee through Operations and Business Support for assessment and priority-setting. ISP will ensure that business improvement suggestions are evaluated for further development, placed in order of priority and implemented if they are feasible.

8. Recommendation

ISP should continue the development of an effective investigation function with a focus on sharing best practices and successful approaches that are evident in the different implementation approaches taken by regions.

Management Response

ISP agrees with this recommendation. As the IARMS report acknowledges, it was a challenge to implement a complex investigations function arising from 1998's Bill C-2 in such a short time frame. The Branch is committed to strengthening its investigation function and agrees that the sharing of best practices and successful approaches is a worthwhile endeavour. ISP has a team in place to work towards developing support tools for investigations so that assistance is provided with such issues as interview techniques, respecting privacy concerns and implementing new penalty procedures. Stronger partnerships, such as with EI's Investigations & Controls area are being developed. As well, the Branch has recently moved to secure additional resources for the investigation function to provide more extensive coverage throughout the regions.

To foster the sharing of best practices, the first national conference for ISP Investigation Officers was held in February 2000. An ISP program integrity web-site is being developed to also help with this objective. A reference guide and various training materials have been issued.

9. Recommendation

ISP should proceed with the introduction of a national tracking system to monitor the results of ISP investigations. This will allow the national and regional level to continue to evaluate the effectiveness of different approaches and identify areas for improvement.

Management Response

ISP agrees with this recommendation and implementation is well underway. An information management system, called the Investigations Information Systems (IIS) has been designed and implemented to track case management and to provide operational data to serve a variety of performance measurement purposes. As of March 2001, the IIS system was fully implemented in the regions. The IIS data bank will monitor the results of investigations and help identify best practices and risk areas for fraud and abuse.

NOTE:

It is important to recognize that this project was planned and conducted prior to the issue of the Treasury Board Policy on Internal Audits. This review was not intended to be an "assurance engagement" as defined by the policy. Rather, as a review, it was designed to primarily focus and report on identified issues and provide recommendations for management action. The review's objectives, scope and methodology are contained in Appendix A to this report.

2.0 INTRODUCTION

The 1999-2000 Audit and Evaluation Plan included a review of Income Security Programs (ISP) program integrity. This review constituted a broad examination of management of program integrity within ISP, rather than a detailed file review or financial audit. Findings, therefore, outline critical management issues that should be addressed in order to ensure program integrity within ISP.

Income Security Programs

HRDC's Income Security Programs provide income supports to all retired Canadians meeting certain criteria. Pensions are provided through the Canada Pension Plan (CPP) for those who have contributed to the plan during their years of employment, and through the Old Age Security (OAS) programs for all seniors, regardless of their participation in the workforce. CPP also pays benefits to workers who have not reached the age of retirement but are not able to work because of disability. In 1999-2000 it is estimated that HRDC will have made payments of over \$40 billion in benefits under the Canada Pension Plan and Old Age Security Programs.

Service to clients applying for ISP benefits is provided through a number of channels. In-person client service is provided by front-line staff within HRCCs. Telephone client service is provided to citizens through a number of telecentres across the country and mail client service is provided through mail processing centres in most regions. Regional offices are responsible for the initial processing and maintenance of the majority of benefit accounts. Operations at National Headquarters have specific delivery responsibility for international benefits (based on international agreements with other countries); CPP Disability re-assessment (in the process of being decentralized), as well as National Information and Benefit Services (maintenance and management of contributor information, administration of national accounts, etc.).

Context of ISP Integrity Controls

Many former control mechanisms in the processing of ISP benefits have disappeared over the years in response to downsizing and other pressures. As one example, starting in the mid-1980s, the need to process increasing workloads with fewer resources lead to the introduction of "Working Smart" initiatives. A number of these resulted in simplification or even elimination of control – oriented procedures.

When the *ISP Redesign* project was initiated in the early 1990s, there was a view that many internal and external control issues could be addressed by means of control improvements provided through systems sophistication. The conclusion of *Redesign*, with improvements more limited than planned, left a need to re-establish a rigorous program integrity function within ISP.

To this end, over the past few years, a number of initiatives have been undertaken on the basis of additional funding received to strengthen overall program integrity and controls:

- Additional funding was secured to continue a program of Controls Initiatives, which target specific risks and assess potential for monetary error;
- The investigative function of ISP which was expanded by Bill C-2, which became effective in 1998, is currently being implemented;
- A Quality Assurance program for the CPP Disability benefit processes has been developed and tested in response to recommendations of the Auditor General in a 1996 audit;
- The comprehensive ISP IT renewal project also offers the opportunity to introduce solutions to identified control issues.

Program Integrity and Quality Services (PIQS) within ISP

The Program Integrity and Quality Services (PIQS) Division of ISP, within the National Program Delivery Services Directorate, has central responsibility within ISP to:

- identify and measure the nature and extent of undetected payment error;
- measure and control both identified and suspected eligibility and entitlement risks related to each one of Income Security Programs benefits;
- prevent, detect, investigate and deter benefit abuse and fraud;
- provide guidance and coordination for prosecution of criminal fraud charges;
- provide recommendations for policy, systems, and procedural changes to improve integrity of program administration and protection of statutory payments;
- provide advice to senior management, the Minister, Parliament and central agencies with respect to the accurate and consistent delivery of programs.

In fulfilling its responsibilities, PIQS undertakes a number of activities (including many of the more recent program integrity initiatives) which include:

- **Random Reviews** – an ongoing program of formal national studies which provide the principal tools used to determine the nature and extent of undetected payment error, and pinpoint weaknesses in program delivery where remedial action may be required.
- **Controls Initiatives** – a national program of mailouts, file reviews, and data matches which measure and control identified and suspected risks within specific benefit sub-populations and beneficiary profiles, offering both risk measurement and account-level control.
- **Investigations** – designing, implementing and developing a national program to prevent, detect, investigate and deter benefit abuse and fraud, supporting the application of administrative penalties assessed to offenders or when appropriate, their prosecution under the Criminal Code of Canada
- **Supporting Quality Assessment** – supporting other regional and national initiatives aimed at measuring and improving the quality of client service and administrative processes.
- **Program Integrity Performance Measurement** – designing, implementing and developing both a performance measurement framework for program integrity and a system of data capture and reporting to support it.
- **CPP Disability Quality Assurance** – the design, development, implementation and on-going support of a formal quality assurance program as called for by the Auditor General in his 1996 report.
- **Benefit Files Analysis** – the application of software tools to query information and model risk using downloads of account data contained on the OAS and CPP Master Benefit Files in support of Investigations, Directed Studies, and ISP's payment integrity generally.
- **Supporting Continuous Improvement** – presenting recommendations arising from Random Reviews, Directed Studies and other quality assessment processes to ISP's Business Improvement Steering Committee which establishes priority and responsibility for remedial and developmental activities.
- **Policy, Systems and Procedures Development** – active participation in ISP's development of policy, systems and procedures for ISP, ensuring the appropriate

consideration of integrity issues takes place on what are often multi-disciplinary work teams.

- **Special Support to the Branch and Department** – in terms of briefings for the Minister, Senior departmental officials, and Committees of Parliament, Ministerial Inquiries, responses to AG and internal audits, House Cards and Media Lines frequently required in connection with Program Integrity's broad enforcement role.

Program Integrity – Context and Definition of the Review

In addition to the activities undertaken by the National Program Integrity and Quality Services Division, regions also have staff and, in many cases, units with functional and operational responsibility for program integrity initiatives and providing guidance to regional operations.

Within ISP, national and regional program integrity areas provide direction and recommendations in the area of integrity to program managers, who have ultimate responsibility for, and discretion in, managing in accordance with national operational policy, procedures, systems and controls. Addressing program integrity concerns requires effective co-ordination and integration of national and regional program integrity areas and service delivery activities.

Over the past few years, the "Program Integrity" function within ISP has been an area undergoing significant growth and several new initiatives have been added to strengthen this aspect of ISP. It is therefore timely to assess the emerging management framework for program integrity on a program-wide basis and identify potential areas for improvement. This review, while it concentrated mainly on the Program Integrity and Quality Services Division's current responsibilities and initiatives, was expanded in some instances to take into account operational concerns and responsibilities in ensuring program integrity (i.e. recent or planned implementation of operational quality control measures).

The focus was at the broad management level, and did not include a detailed assessment of resource or capacity requirements in delivery of current or proposed initiatives. Specifically, the review objectives were to:

- Identify current risks and issues in ensuring the integrity of Income Security Programs and;
- Identify opportunities for improving prevention and detection activities.

The review's objectives, scope and methodology are contained in Appendix A to this report.

3.0 FINDINGS

The following review findings focus on critical issues within ISP, as it continues to develop an enhanced program integrity function, and could assist Income Security Programs in strategic allocation of resources to best manage current and future risks.

3.1 MISSION/MANDATE FOR THE PROGRAM INTEGRITY FUNCTION

It is generally accepted that in order to maximize effectiveness in operationalizing a program goal such as ensuring program integrity it is essential that a compelling overall mission and mandate for the function be developed and communicated. It should describe the way this function is aligned with and supports broad program priorities and integrate all program area responsibilities.

While management and staff recognized the importance of program integrity, a concern was expressed that there is no explicit mission statement for ensuring the integrity of ISP funds. This was viewed as an issue in gaining maximum profile and credibility for program integrity activities, as well as in providing functional direction to, and engaging management across program areas. Many program integrity and operational staff recognized a context in which responses to resource constraints (i.e. "working smart") and reliance on *ISP Redesign* had de-emphasized control and integrity requirements. Regional officials also noted that having an improved, long-term, program-wide focus for program integrity activities would provide for alignment of regional and operational program integrity activities with such a mission statement.

There was agreement that an enhanced mission/mandate for program integrity should be elaborated which highlights:

- A long-term view of program integrity;
- Program integrity as supporting other broad management priorities such as implementation of the National Quality Institute framework in service delivery;
- Roles and responsibilities of all program areas in protecting the integrity of ISP funds;
- Strategic integration of program integrity initiatives in all program areas;
- Prevention and detection activities.

At the time of this review, a consultant had been contracted to assist ISP in clarifying a mission and mandate for the Program Integrity function, in consultation with regional management and program integrity staff.

Recommendation:

ISP should develop national and regional mission/mandate statements for ensuring program integrity. The statements should recognize program integrity as an integral part of broad program priorities and as an area for which all program areas are responsible.

Management Response

ISP agrees with this recommendation. Last fall, ISP developed and approved mission/mandate statements to guide the program integrity function for both NHQ and the regions. ISP fully agrees that a guiding program integrity mission statement, and clear national and regional mandates, help to clarify accountability for protecting payment integrity. These statements will be used with various other mechanisms to support broad program priorities for which all ISP program areas are responsible.

3.2 STRATEGIC DIRECTION

National and regional program integrity activities now include a variety of initiatives which have independently responded to such requirements as changing legislation, recommendations of audit reports, and a need for improved understanding of specific risks. In addition to nationally directed activities, many regional processing operations are in the process of introducing quality control measures. At the time of this review, a comprehensive and strategic framework that integrates all program integrity activities, roles and responsibilities, and results had been lacking.

Management and staff noted that PIQS activities have been managed largely independently from one another to date. As a result, in the opinion of the audit team, the overall strategic focus and objectives for the program integrity function have not been evident at either the national or regional levels. This has had an impact on the degree to which program management has seen the integrity function as strategic and relevant.

ISP now has a variety of initiatives that can be seen as contributing to ensuring program integrity. These include:

- nationally-led evaluative reviews such as random reviews and controls initiatives (also referred to as directed reviews);
- investigations; and,

- recent regional implementation of quality assessment for benefit processing in general and for Disability processing in particular.

In the auditor's opinion, it is timely for the Program to view these activities in the context of an integrated strategic program framework, possibly supporting a broader "Quality Framework" and based in risk management principles and practices. Developing and communicating a broad strategic management plan, which demonstrates an integration of regional and national program integrity activities in support of broad priorities and objectives, could provide for improved strategic orientation, greater program-wide engagement, and enhanced functional guidance to regional management.

When discussing the need for improved strategic co-ordination of program integrity initiatives within all areas of ISP, regional management highlighted the need to address capacity concerns as part of this process. Many operational managers noted that meeting commitments to expand quality control presents a challenge given current resource constraints, and the need to meet service delivery targets. In the auditor's opinion, developing an integrated quality assessment plan including on-going and anticipated roles and responsibilities provides a means to determine required resourcing levels and any capacity issues in implementing such a framework.

Recommendation

ISP should develop and communicate a strategic management plan that integrates all program integrity activities. The plan should address broad priorities and objectives, roles and responsibilities, resourcing strategies, timeframes for deliverables and the means for evaluating effectiveness.

Management Response

ISP agrees with this recommendation. The mission and mandate document pertaining to ISP's program integrity functions was the first step in a sequence of activities to better delineate a strategic plan for program integrity priorities and accountabilities. ISP will develop a strategic management plan, over the next several months, which outlines priority program integrity activities, key players, roles and responsibilities, tools and resources, and appropriate timelines. It will help optimize the integration of regional and national program integrity activities and will provide for improved strategic orientation, greater program-wide engagement and enhanced functional guidance.

3.3 ROLES, RESPONSIBILITIES AND ACCOUNTABILITIES

National – Regional Functional Roles and Responsibilities

As the program integrity functional area is expanded and evolves, involving both the national and regional level, the audit team concludes that it would be beneficial to develop a clearer understanding of both the PIQS divisional and regional program integrity mandates and roles. Regional staff saw a need to clarify these functional roles and responsibilities in order to strengthen working relationships.

At a general level, regional staff characterized an optimal working relationship with the national PIQS division as one involving national leadership and support of regional activities, broad consultation, and facilitation of inter-region communications and sharing of best practices.

Areas in which it was suggested both the regional and national role could be enhanced included:

- Responsibility for strategic planning and integration of program integrity activities;
- Fostering awareness of the importance of program integrity activities;
- Strengthening linkages and developing mechanisms with national program areas and regional operations to ensure follow-up on issues and recommendations.

Functional – Regional Operational Responsibilities/Accountabilities

Primary responsibility and accountability for identifying, assessing and reporting integrity issues rests with management of PIQS, supported by regional program integrity units. PIQS is responsible for nationally directing certain activities, such as investigations, quality assurance for Disability, Random Reviews and Controls Initiatives. Regional management, however, has ultimate responsibility for, and discretion in, managing in accordance with national operational policy, procedures and systems. Regional and operational managers stressed that, faced with resource constraints, allocation decisions involve balancing requirements for renewed integrity activities and meeting departmental speed of service standards.

An accountability framework has not been developed which clearly defines accountability on the part of management outside the program integrity functional area to ensure integrity. It is a generally accepted, good management practice that development of such a broader accountability framework would need to be linked to a system of appropriate results tracking.

Performance Tracking

Currently, program performance with respect to program integrity is reported, by individual initiative, primarily at the national level. An example of this includes reporting on overall accuracy rates of the benefit payment process as a result of random reviews. There is also tracking of potential error rates through specific Controls Initiatives, which also report on a Return on Investment (ROI) criteria, related to funding commitments. These results are used to report to the Standing Committee on Public Accounts, the CPP Financial Statement, Auditor General, central agencies and branch management.

The random reviews cycle measures the level and value of undetected error of the entire program base, while the Disability Quality Assurance program will provide ongoing information on new application processing for this particular benefit. A gap exists in this management information with respect to program-wide measures of risk and accuracy for new application processing of CPP and OAS benefits outside Disability. Further discussion of the Random review cycle and quality assessment processes within ISP is contained in the following sections of this report.

A national performance measurement system with respect to accuracy and risks in new business application processes would be a critical component of any enhanced program integrity accountability framework as outlined in the review elements.

Recommendations:

- ISP should develop clear accountabilities for management with respect to program integrity.
- ISP should develop a national performance tracking system to provide on-going information on risks and accuracy in new application processing for all benefits.

Management Response

ISP agrees with this recommendation and will work to outline management accountabilities within the context of clearer mandates, a strategic management plan for program integrity, and a Branch quality framework. The size and complexity of HRDC makes it a challenge to delineate distinct and full accountability. HRDC has a network of operational delivery systems and areas to

provide functional guidance to administer the CPP and OAS benefits. Ensuring payment integrity is a shared responsibility. HRDC is currently reviewing accountability issues with respect to functional and operational areas and ISP will work within the broader departmental context on this issue.

ISP is considering options for revising the random review process to strengthen assessments of risks and estimates of payment accuracy for the processing of new OAS or CPP applications. The full implementation of a formal CPP Disability Quality Assurance program, now completed for initial applications and reconsiderations, as well as the development of new national and regional quality assessment tools, will provide a better sense of the potential for tracking information. Reporting will evolve following the implementation of these new mechanisms so that there is an increased and more focused awareness of program performance, integrity, emerging risk areas and trends.

3.4 REGIONAL AND NATIONAL REPORTING AND RESULTS MONITORING

Random Reviews

PIQS directs annual random reviews of accuracy and compliance with legislation, for both OAS and CPP, to assess overall performance of the benefit payment process and reveal the nature and extent of error. As previously stated, these annual reviews meet an obligation to report externally on overall program performance. The random review is designed to provide broad coverage of all accounts in pay and the sampling method results in very few "new business" accounts being selected in the sample. Currently, this is the primary source of management information on overall accuracy rates of ISP processing.

Regional management and program integrity staff stated that the process of completing random reviews at the regional level had provided some sense of the overall performance of benefit processing in the region. As well, it had on occasion, identified specific issues that were brought to the attention of processing staff. Regional management and staff confirmed, however, that these large-scale studies of all accounts in pay are limited in their value as a tool to assess issues and risks in new application processing. Timeliness of completion of these reports was also cited as an issue; at the time that the audit was conducted, the most recent reporting is of the 1997 review.

A recent study by consultants (Hoffman et al) engaged by Evaluation and Data Development, also raised this issue with respect to the sampling method for the random reviews, and noted the potential to modify the sampling frame for some reviews in order to gain greater information on performance and trends on "new business".

In the opinion of the auditors, there is a need to enhance management information at the regional and national level so that it includes tracking and timely reporting of the nature and extent of any errors in new account processing. This is necessary to provide assurance to senior management on the integrity of accounts recently put into pay, and also to provide operational management with relevant, timely information on recent account processing. This is a component of sound management frameworks. Since the current random review process meets a requirement to report externally on overall performance, and therefore would need to be retained at least in some form, there are resource considerations in introducing additional reviews. The review schedule could possibly alternate comprehensive random reviews and "new business" reviews.

Recommendation:

ISP should modify the sampling method for some nationally led, program-wide integrity reviews, in order to provide improved information on accuracy of processing of accounts recently put into pay.

Management Response

ISP is considering how best to produce quality indices relating to new business processing. An options paper examining several means of carrying out new business reviews has been prepared. The options range from a cost-neutral approach, to an approach, which would rely upon additional funding to be obtained. Regardless of the option selected, ISP acknowledges the benefits of having better indications of the payment accuracy and risk areas for new business.

Quality Assessment

"Working Smart" initiatives, increasing operational workloads, and lack of resources were all cited as reasons for the limited level of monitoring within ISP operations in recent years. Currently, there are no national standardized tools or procedures for quality control as a means of preventing mis-payments and providing on-going information to management and staff on performance.

All regions participating in this review, a form of quality control/monitoring has, however, recently been introduced or is planned. This has been identified by

management as a critical need both to ensure accuracy of benefit processing and to provide for tracking and on-going management information on new accounts. This was seen as an essential part of an integrated "Quality framework", and complementary to the process of national random reviews which may detect errors on accounts at some point after they are already in pay.

Though there has been some sharing of information between regions wishing to introduce a quality monitoring process; each region has been developing its own tools and processes. Although regions expressed a desire to retain flexibility in quality control procedures in order to best address local issues, it was seen as a potential national role to provide strategic direction and standardized tools in the area of quality monitoring.

In the opinion of the auditors, provision and use of standardized tools would provide consistency and allow national integration of results. As well, continuing with implementation of Quality Monitoring in regions is essential. It ensures a structured front-end review of the work of processing operations. At the regional level, this allows for the identification and resolution of errors; determination of training needs; assessment of risk areas and reporting on results.

Sound management practices indicate that it would be desirable to introduce a national process and tools to support regional quality control efforts to provide assurance at the national level that:

- benefit delivery meets legislative and program requirements;
- administrative policies and procedures are being consistently adhered to; and
- risks are being identified at a national level allowing for development of management responses at the national level to national concerns (i.e. policy interpretation, training tools etc.).

The auditors conclude that development of standardized modules of monitoring tools could allow for both national and regional management reporting, while still allowing regions to evaluate specific process tasks and produce related management reports on key tasks as required.

Recommendation:

ISP should develop national processes and tools to support regions introducing quality monitoring.

Management Response

ISP agrees with this recommendation. In June 2000, ISP's Operational Management Committee agreed to the recommendation that ISP's Program Integrity & Quality Services Division develop more extensive processes and tools to support the regions in their quality monitoring activities. The development of these tools is well underway. To meet short-term development deadlines, additional funding is required. A longer-range deadline for implementation could be accomplished with current resources. As well, the Operations and Business Support Division, in association with ISP regional processing managers, is continuing to develop a program of quality review activities, which has already begun in some regional processing centres.

3.5 UNDERSTANDING AND MANAGING RISK

Understanding of risks with respect to program integrity has been enhanced over the past years with the introduction of control initiatives. However, in the opinion of the audit team, ISP needs to ensure that there is follow-up as appropriate to the findings of these initiatives and other reviews.

Controls Initiatives are reviews that target selected risk areas, which in the past were often drawn from the findings of random reviews. More recently, PIQS nationally has engaged regional staff in consultations to identify potential areas for study - regional staff saw this as a highly successful example of collaboration between the national and regional level. The 2000-2001 Workplan consists of 13 Controls Initiatives that were identified from a larger number of potential projects. Program integrity staff noted that resource constraints limit the number of studies that can be undertaken and the number of follow-up and further research projects that can be conducted.

Previous projects have resulted in assessments of various risk areas, with some studies identifying potential areas for enhanced control. Staff noted that improvement is needed in achieving and monitoring follow-up. A number of recommendations, which have been developed as a result of program integrity initiatives, still remain to be addressed with management responses.

At the national level, a management structure that should provide for greater systematic management action are the recently struck committees: the Business Improvement Steering Committee (BISC) and its supporting Business Improvement Review Committee (BIRC), with the mandate to set priorities, and develop action plans to address business improvement recommendations. In the auditor's opinion, since business improvement recommendations can involve a variety of program areas (i.e. policy, training or regional operations) this committee provides the opportunity to

demonstrate an integrated response to identified risks. The analysis and tracking of outstanding issues, which has already been initiated to support the process, provides the start of a necessary monitoring system with respect to outstanding issues. Management action plans should clearly identify mitigating strategies and timeframes for resolving outstanding issues to ensure effectiveness of controls as well as to demonstrate and communicate impact of program integrity activities.

In addition to random reviews and controls initiatives, a number of additional monitoring and control activities such as investigations, regional quality monitoring and quality assurance for Disability have recently been introduced. These new activities will also provide additional sources of information on risks and potential business improvements.

At the regional level, links with operational areas, and ensuring follow-up on issues identified by regional program integrity functions, was seen as an area where there was continuing improvement. Strong two-way communication and linkages at this level are also an integral part of strengthening program integrity, in the opinion of the auditors.

Recommendation

ISP should demonstrate progress in addressing recommendations arising from program integrity studies, including developing, tracking and communicating management responses and action plans.

Management Response

ISP agrees with this recommendation and implementation is well underway. Potential administrative improvements identified by program integrity random reviews and directed studies, as well as those identified by other means, are formulated into recommendations which in turn are being referred to a senior level business committee through Operations and Business Support for assessment and priority-setting. ISP will ensure that business improvement suggestions are evaluated for further development, placed in order of priority and implemented if they are feasible.

3.6 USE OF NEW INVESTIGATIVE RESOURCES

One of the significant additions to program integrity activities recently has been as a result of the implementation of Bill C-2 in 1998, which provided for greater powers in investigating fraud and abuse in Income Security Programs. Management noted that after funding was secured for investigative officers, positions were staffed, many only in late 1999. This function then has only recently been introduced and was viewed as a function under development.

The challenge of introducing an investigation function has been significant – in the opinion of the auditors, likely the result of simultaneous implementation and development of resources for the function. In support of implementation, PIQS has developed a number of tools, policies and procedures to support regions over a short timeframe, including a work description for use in staffing, materials to assist in development of training plans, and a reference manual covering major aspects of the investigations function.

Regions allocated the new resources based on their individual requirements. This has led to a variety of different reporting structures for investigations officers, and in some instances investigations resources have been combined with other functions, so that officers are fulfilling more than one role. Staff with different backgrounds and experience have been hired into these new positions.

Staff involved with this function highlighted the challenge of implementing a complex function in a relatively short timeframe. Staff in the investigations function viewed national support as less than optimal in the first year, with respect to providing timely tools and training. From a national perspective, the variety of reporting structures and varying implementation of the role in regions have posed and continues to pose a challenge in providing direction and support. The initial lack of a policy related to penalties was noted as a concern – the approval of such a policy, by the former Assistant Deputy Minister in March 2000, and its forthcoming implementation, should address this issue.

After the first year of implementation, there was a need expressed by investigation officers and regional management to learn about, and from, the experiences of other regions. A recent national workshop of investigation officers was seen as important in this respect.

In many regions, it had been necessary, or was seen as a future need, to define and communicate the roles, responsibilities and limits, of the new function, particularly with respect to linkages with operations. An important part of the new function is one of two-way communication with other ISP staff, both to identify potential fraud and abuse cases, and to provide feedback on lessons learned with regard to potential risks for fraud and abuse. The auditors conclude that the development of this function provides an opportunity to significantly enhance ISP's understanding of risks for fraud and abuse.

Determining a "measure of success" or performance target for this function presents some challenges. There is no historical "baseline" performance data for this function. One possibility for a performance target is a "return on investment" (ROI) indicator, but staff acknowledged that this would not capture some of the "preventative" dimension to this work. At the time of this review, though some regions have endeavored to track investigation activities, and start to monitor the impact of the function, there was no

systems capability, on a national basis, for on-going monitoring of the results of this new function. An investigation information system has, however, been developed by NHQ, which will be implemented by regions in the coming year. Analysis of results from this system, in the opinion of the auditors, will then allow for an assessment of "best practices" and an improved understanding of risk areas for fraud and abuse that can further enhance the effectiveness of this function.

Recommendations:

- ISP should continue the development of an effective investigation function with a focus on sharing best practices and successful approaches that are evident in the different implementation approaches taken by regions.
- ISP should also proceed with the introduction of a national tracking system to monitor the results of ISP investigations. This will allow the national and regional level to continue to evaluate the effectiveness of different approaches and identify areas for improvement.

Management Response

ISP agrees with this recommendation. As the IARMS report acknowledges, it was a challenge to implement a complex investigations function arising from 1998's Bill C-2 in such a short time frame. The Branch is committed to strengthening its investigation function and agrees that the sharing of best practices and successful approaches is a worthwhile endeavour. ISP has a team in place to work towards developing support tools for investigations so that assistance is provided with such issues as interview techniques, respecting privacy concerns and implementing new penalty procedures. Stronger partnerships, such as with EI's Investigations & Controls area are being developed. As well, the Branch has recently moved to secure additional resources for the investigation function to provide more extensive coverage throughout the regions.

To foster the sharing of best practices, the first national conference for ISP Investigation Officers was held in February 2000. An ISP program integrity web-site is being developed to also help with this objective. A reference guide and various training materials have been issued.

ISP agrees with this recommendation and implementation is well underway. An information management system, called the Investigations Information Systems (IIS) has been designed and implemented to track case management and to provide operational data to serve a variety of performance measurement purposes. As of March 2001, the IIS system was fully implemented in the regions.

The IIS data bank will monitor the results of investigations and help identify best practices and risk areas for fraud and abuse.

3.7 ADEQUACY AND EFFECTIVENESS OF CONTROLS

In identifying and assessing current broad control processes, the following elements were judged by the audit team to be critical needs to improve control and monitoring for ISP:

- Full implementation of quality assessment for CPP and OAS processing, as well as quality assurance for CPP disability applications in regional operations;
- Expanding management information to include improved tracking and reporting at the national and regional level of accuracy in new application processing;
- Ensuring follow-up when a requirement for improvement to policies, control procedures or systems is identified by program integrity initiatives.

ISP's primary source of comprehensive information on the adequacy and effective of overall controls is the Random Review process. Certain controls are assessed further through Controls Initiatives. The CPP Disability Quality Assurance process will soon provide current information on this particular benefit. In order to develop an enhanced, integrated reporting framework, certain issues require attention in the judgement of the audit team. The following table identifies key issues related to reliable management information that should be addressed to ensure effective decision-making.

Summary of Risks, Issues and Recommendations for Improvement		
Program Integrity/Monitoring and Control Activities	Assessment of Risks/Issues	Recommended Improvements
Random Reviews	Studies do not provide timely information on accuracy and risks in "new business" processing	Modify the sampling method for some nationally led, program-wide integrity reviews. This would provide improved information on accuracy of processing of accounts recently put into pay while still maintaining the necessary information for external reporting purposes.
Controls Initiatives	Recommendations for business improvements identified in previous studies remain to be addressed.	Demonstrate progress in addressing recommendations arising from program integrity studies, including tracking and communicating management responses and action plans.
Quality Monitoring/Control - National	National processes and tools supporting regional implementation of quality control initiatives are lacking. A gap in national reporting exists with regard to results of quality control measures.	Identify and prioritize needs and develop national processes and tools to support regions introducing quality monitoring.
- Regional	Regions in the process of independently implementing quality control initiatives – any current reporting is at a regional level. This does not allow for consistency and roll-up of national information.	Development of standardized modules of monitoring tools could allow for both national and regional management reporting, while still allowing regions to evaluate specific process tasks and produce related management reports on key tasks as required.
Investigations	Function is being developed, currently limiting the capacity to track impact of function and analyze the areas of high risk for fraud and abuse	Proceed with introduction of a national tracking system to monitor the results of ISP investigations. Analysis of results from this system will then allow for an assessment of best practices and an improved understanding of risk areas for fraud and abuse that can further enhance the effectiveness of this function.

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APPENDIX A

REVIEW OBJECTIVES

The focus of this review was at the broad management level, and did not include a detailed assessment of resource or capacity requirements in delivery of current or proposed initiatives. Specifically, the review objectives were to:

- Identify current risks and issues in ensuring the integrity of Income Security Programs and;
- Identify opportunities for improving prevention and detection activities.

REVIEW SCOPE

I. Preliminary Survey

A preliminary survey phase explored risk/issue areas, from a broad program management perspective, through interviews with PIQS officials. This study included the following elements: Mandate/Mission; Program Strategy; Accountabilities; Reporting and Risk Assessment Processes.

II. Review

Assessing the same elements as in the preliminary survey phase, the review further examined the following elements:

Program Goals and Strategy

- Program mission/mandate and strategic direction
- Clarity of objectives

Accountability and Reporting

- Functional and regional roles
- Responsibilities and accountabilities for ensuring program integrity
- Regional reporting/reviews
- National co-ordination and monitoring of results
- Use of new investigative resources

Understanding and Managing Risk

- Risk assessment and appropriateness of current control processes and monitoring.

REVIEW METHODOLOGY

The review examined issues from both a national and regional perspective, including discussions with regional ISP staff outside program integrity functional areas. The review, conducted at National Headquarters and in Ontario, Quebec, PEI, BC, and Saskatchewan (including Winnipeg processing operations), involved:

- Interviews with both NHQ management and regional management and staff
- Examination of relevant documentation
- Analysis of information

A detailed analysis of resource requirements or capacity issues was not within the scope of this review. However, in instances where capacity concerns were raised in the context of other review elements, the review team noted these.

APPENDIX B

INCOME SECURITY PROGRAMS
IARMS PROJECT No. 430/99: PROGRAM INTEGRITY REVIEW
FOLLOW-UP STATUS REPORT

IARMS Recommendation	Corrective Action Planned and/or Taken	Status	Contact Person
1. ISP should develop national and regional mission/mandate statements for ensuring program integrity. The statements should recognize program integrity as an integral part of broad program priorities and as an area for which all program areas are responsible.	ISP agrees with this recommendation. Last Fall, ISP in consultation with the regions developed and approved mission/mandate statements to guide the program integrity function. ISP fully agrees that a guiding program integrity mission statement, and clear national and regional mandates, help to clarify accountability for protecting payment integrity. These statements will be used with various other mechanisms to support broad program priorities for which all ISP program areas are responsible.	Completed November 2000	Rod Kline ISP 957-3466

IARMS Recommendation	Corrective Action Planned and/or Taken	Status	Contact Person
2. ISP should develop and communicate a strategic management plan that integrates all program integrity activities. The plan should address broad priorities and objectives, roles and responsibilities, resourcing strategies, timeframes for deliverables and the means for evaluating effectiveness.	ISP agrees with this recommendation. The mission and mandate document pertaining to ISP's program integrity functions was the first step in a sequence of activities to better delineate a strategic plan for program integrity priorities and accountabilities. ISP will develop a strategic management plan, over the next several months, which outlines priority program integrity activities, key players, roles and responsibilities, tools and resources, and appropriate timelines. It will help optimize the integration of regional and national program integrity activities and will provide for improved strategic orientation, greater program-wide engagement and enhanced functional guidance.	On schedule for November, 2001	Rod Kline ISP 957-3466

IARMS Recommendation	Corrective Action Planned and/or Taken	Status	Contact Person
3. ISP should develop clear accountabilities for management with respect to program integrity.	ISP agrees with this recommendation and will work to outline management accountabilities within the context of clearer mandates, a strategic management plan for program integrity, and a Branch quality framework. The size and complexity of HRDC makes it a challenge to delineate distinct and full accountability. HRDC has a network of operational delivery systems and areas to provide functional guidance to administer the CPP and OAS benefits. Ensuring payment integrity is a shared responsibility. HRDC is currently reviewing accountability issues with respect to functional and operational areas and ISP will work within the broader Departmental context on this issue.	Dependent on broader ISP/HRDC accountability	Rod Kline ISP 957-3466

IARMS Recommendation	Corrective Action Planned and/or Taken	Status	Contact Person
4. ISP should modify the sampling method for some nationally led program-wide integrity reviews, in order to provide improved information on accuracy of processing of accounts recently put into pay.	ISP is considering options for producing quality indices relating to new business processing. An options paper examining several means of carrying out new business reviews has been prepared. Approaches range from a cost-neutral option to an option that would rely upon additional funding to be obtained. Regardless of the option selected, ISP acknowledges the benefits of having better indications of the payment accuracy and risk areas for new business.	Decision on options by May 2001	Michael Kidd ISP 954-9933 Rod Kline ISP 957-3466

IARMS Recommendation	Corrective Action Planned and/or Taken	Status	Contact Person
6. ISP should develop a national performance tracking system to provide on-going information on risks and accuracy in new application processing for all benefits.	ISP is considering options for revising the random review process to strengthen assessments of risks and estimates of payment accuracy for the processing of new OAS or CPP applications. The full implementation of a formal CPP Disability Quality Assurance program, now completed for initial applications and reconsiderations, as well as the development of new national and regional quality assessment tools, will provide a better sense of the potential for tracking information. Reporting will evolve following the implementation of these new mechanisms so that there is an increased and more focused awareness of program performance, integrity, emerging risk areas and trends.	Options to be decided upon by May, 2001	Michael Kidd ISP 954-9933 Rod Kline ISP 957-3466

IARMS Recommendation	Corrective Action Planned and/or Taken	Status	Contact Person
7. ISP should demonstrate progress in addressing recommendations arising from program integrity studies, including developing, tracking and communicating management responses and action plans.	ISP agrees with this recommendation and implementation is well underway. Potential administrative improvements identified by program integrity random reviews and directed studies, as well as those identified by other means, are formulated into recommendations which in turn are being referred to a senior level business committee through Operations and Business Support for assessment and priority-setting. ISP will ensure that business improvement suggestions are evaluated for further development, placed in order of priority and implemented if they are feasible.	Work implemented (ongoing process)	Sharon Shanks ISP 954-4154

IARMS Recommendation	Corrective Action Planned and/or Taken	Status	Contact Person
8. ISP should continue the development of an effective investigation function with a focus on sharing best practices and successful approaches that are evident in the different implementation approaches taken by regions.	ISP agrees with this recommendation. As the IARMS report acknowledges, it was a challenge to implement a complex investigations function arising from 1998's Bill C-2 in such a short time frame. The Branch is committed to strengthening its investigation function and agrees that the sharing of best practices and successful approaches is a worthwhile endeavor. ISP has a team in place to work towards developing support tools for investigations so that assistance is provided with such issues as interview techniques, respecting privacy concerns and implementing new penalty procedures. Stronger partnerships, such as with EI's Investigations & Controls area are being developed. As well, the Branch has recently moved to secure additional resources for the investigation function to provide more extensive coverage throughout the regions. To foster the sharing of best practices, the first national conference for ISP Investigation Officers was held in February 2000. An ISP program integrity web-site is being developed to also help with this objective. A reference guide and various training materials have been issued.	Work implemented (ongoing process)	Rod Kline ISP 957-3466

IARMS Recommendation	Corrective Action Planned and/or Taken	Status	Contact Person
9. ISP should proceed with introduction of a national tracking system to monitor the results of ISP investigations. This will allow the national and regional level to continue to evaluate the effectiveness of different approaches and identify areas for improvement.	ISP agrees with this recommendation and implementation is well underway. An information management system, called the Investigations Information Systems (IIS) has been designed and implemented to track case management and to provide operational data to serve a variety of performance measurement purposes. As of March 2001, the IIS system was fully implemented in the regions. The IIS data bank will monitor the results of investigations and help identify best practices and risk areas for fraud and abuse.	Implemented March 2001	Rod Kline ISP 957-3466

